

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-01 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-12 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-05 TRSE-00 ACDA-12 /116 W
-----119158 212154Z /75

R 212010Z DEC 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 6705

C O N F I D E N T I A L SECTION 1 OF 2 QUITO 8499

E.O. 11652: GDS
TAGS: EINV, ENRG, EC
SUBJECT: DOCUMENTATION OF TEXACO-GOE ARRANGEMENTS

REF: QUITO 8241

1. SUMMARY: TEXACO AND THE GOE HAVE FINALIZED THE DOCUMENTATION OF THEIR NEW ARRANGEMENTS ON TESACO'S OPERATIONS IN ECUADOR. THE EMBASSY WILL TRANSMIT THE INDIVIDUAL GOE EDICTS COLLECTIVELY UNDER A SEPARATE AIRGRAM END SUMMARY.

2. EMBASSY HAS OBTAINED FROM TEXACO THE FOLLOWING DOCUMENTS WHICH WERE ISSUED TO IMPLEMENT THE TEXACO-GOE ACCORD DESCRIBED IN THE REFTEL (TEXACO'S DELIVERY OF THESE TO THE EMBASSY SHOULD BE TREATED AS CONFIDENTIAL):

A. MINISTRY OF NATURAL RESOURCES RESOLUTION 14053 OF DECEMBER 16, 1977.

PRODUCTION FOR THE CEPE-TEXACO CONSORTIUM IS SET AT 210,000 BPD COMPUTED ANNUALLY, GIVEN CURRENT PRODUCTION AREAS AND CURRENT MEANS OF
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RECOVERY, WITH A PERMITTED FIVE PERCENT VARIATION UP OR DOWN. IN CASES WHEN PRODUCTION IS REDUCED BY FORCE MEJEURE, SUCH AS PIPELINE BREAKS, THE CONSORTIUM CAN SUBSEQUENTLY COMPENSATE BY PRODUCING UP TO 220,000 BPD, AGAIN WITH A FIVE PERCENT VARIATION. THUS, WITH THE FIVE-PERCENT MARGIN, THE MAXIMUM AUTHORIZED PRODUCTION FOR ANY ONE DAY IS NORMALLY

220,500 BPD, AUGMENTABLE TO 321,000 BPD WHEN NECESSARY TO COMPENSATE FOR PRODUCTION LOSSES BECAUSE OF FORCE MEJEURE. AS NEW RESERVES ARE TAPPED, TOTAL PRODUCTION MAY RISE.

B. DECREE 2055 OF DECEMBER 15, 1977

THIS MODIFIES DECREE 287 OF APRIL 14, 1975 (WHICH REQUIRED THE REVERSION TO CEPE OF CONCESSION AREAS IF TEXACO OR ANY OTHER CONCESSIONAIRE DID NOT FULFILL CERTAIN EXPLORATION AND PRODUCTION REQUIREMENTS) SO THAT THE TIME PERIODS MENTIONED IN ARTICLE ONE OF DECREE 287, AND THE WORK PROGRAMS STIPULATED THEREIN, WILL FOLLOW INSTEAD THE CRITERIA SET FORTH IN THE ANNUAL TEXACO-CEPE WORK PROGRAMS.

C. DECREE 2056 OF DECEMBER 15, 1977.

THIS ABROGATES RETROACTIVELY AS OF DECEMBER 31, 1976, DECREE 285 (WHICH OBLIGED TEXACO AND FORMERLY GULF TO PRODUCE A CERTAIN AMOUNT OF CRUDE DAILY, AND TO TURN OVER 25 PERCENT OF IT TO CEPE WHETHER OR NOT THE MINIMUM WAS ACTUALLY ATTAINED). ALSO, THE MINISTRY OF NATURAL RESOURCES IS EMPOWERED TO REGULATE EMBARKATIONS OF CRUDE FROM THAT DATE.

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D. JOINT CEPE-TEXACO LETTER OF DECEMBER 16, 1977, TO MINISTER OF NATURAL RESOURCES.

TEXACO AGREES TO DELIVER 845,898 BARRELS OF CRUDE TO CEPE AS THE AMOUNT DUE UNDER DECREE 285 AS OF THE DATE OF ITS ABROGATION (SEE D, ABOVE) ON DECEMBER 31, 1976. CEPE WILL PAY TEXACO 82.6 US CENTS PER BARREL. TEXACO WILL ALSO DELIVER 262,500 BARRELS TO CEPE IN SETTLEMENT OF THE SANSINENA SHIPPING DISPUTE OF DECEMBER 9 AND 24, 1974, FOR WHICH TEXACO WILL RECEIVE \$1.4873 PER BARREL FROM CEPE. THE RESULTANT SUMS OWED BY CEPE TO TEXACO WILL BE DEDUCTED FROM THE AMOUNT TEXACO OWES IN TAXES AND ROYALTIES. TEXACO AGREES TO DROP ITS PLANNED SUIT ARISING FROM THE RUTH DISPUTE OF 1976, ON THE UNDERSTANDING THAT CEPE AND THE MARC RICH COMPANY DO THE SAME.

E. JUDGEMENT OF THE HYDROCARBONS JUDGE (MINISTER OF NATURAL RESOURCES) OF DECEMBER 16, 1977.

THIS CONFIRMS VARIOUS POINTS OF AGREEMENT MENTIONED ABOVE, INCLUDING CEPE'S DROPPING OF ITS

PLANNED LEGAL ACTION RE THE RUTH MATTER.

F. JUDGMENT OF THE HYDROCARBONS JUDGE OF DECEMBER 16, 1977.

THIS ALSO CERTIFIES SOME OF THE POINTS MENTIONED ABOVE.

G. DECREE 2059 OF DECEMBER 16, 1977.

THIS SETS UP A NEW RATE OF TAXES ON PROFITS,
AND OF ROYALTY PAYMENTS, FOR THE TEXACO-CEPE CONSORTIUM,
WITH A SLIGHTLY MODIFIED DISTRIBUTION SYSTEM FOR THE
RESULTANT INCOME. IT MODIFIES ARTICLES ONE AND TWO
OF DECREE 982 OF NOV 21, 1975, TO SHOW A NEW PROFIT
TAX RATE OF 87.31 PERCENT (INSTEAD OF 71.42 PERCENT),
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AND A NEW RATE OF ROYALTY PAYMENTS OF 18.5 PERCENT
(INSTEAD OF 17 PERCENT). THE NEW PERCENTAGE
DISTRIBUTION TO VARIOUS INSTITUTIONS IS AS FOLLOWS:

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SP-02 SS-15 STR-05 TRSE-00 ACDA-12 /116 W
-----119107 212153Z /75

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FM AMEMBASSY QUITO
TO SECSTATE WASHDC 6706

C O N F I D E N T I A L SECTION 2 OF 2 QUITO 8499

PARTICIPANTS	PER CENT
NATIONAL DEVELOPMENT FUND	43.5815
GENERAL BUDGET OF THE STATE	33.3059
NATIONAL PARTICIPATION FUND	6.0730
ECUADOREAN HOUSING BANK	3.3508
NATIONAL ELECTRIFICATION FUND	2.8254

MINISTRY OF LABOR AND SOCIAL WELFARE	2.5137
STATE UNIVERSITIES AND POLYTECHNICAL SCHOOLS	2.2682
NATIONAL DEFENSE COUNCIL	1.7338
MINISTRY OF PUBLIC HEALTH	1.6754
INTEGRAL DEVELOPMENT PROGRAM FOR THE PROVINCE OF ESMERALDAS	0.1808
ECUADOREAN AIR FORCE	1.1559
NATIONAL CHILD'S FOUNDATION	0.8370
PRIVATE UNIVERSITIES AND POLYTECHNICAL SCHOOLS	0.2270
ECUADOREAN INSTITUTE OF EDUCATIONAL CREDITS AND GRANTS	0.1314
CEPE	0.1154
CENTRAL BANK	0.0248

THIS DECREE SETS FORTH A TEMPORARY, SLIGHTLY MODIFIED,
TAX AND ROYALTY PAYMENT AND DISTRIBUTION STRUCTURE
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FOR THE PERIOD JANUARY 1 TO NOVEMBER 30, 1977.

H. JOINT MINISTER OF FINANCE/MINISTER OF NATURAL
RESOURCES RESOLUTION OF DECEMBER 17, 1977.

THIS ESTABLISHES THE BASIC PROCEDURES FOR
TAXIATION FOR THE JANUARY 1-NOVEMBER 30, 1977 PERIOD,
AND (SEPARATELY) THEREAFTER.

I. MONETARY BOARD RESOLUTION 984-77 OF OCTOBER 26, 1977.

THIS ESTABLISHES THE REGULATIONS FOR TEXACO
TO REPARTIATE SUCRES FOR DOLLARS AT THE OFFICIAL RATE
FO EXCHANGE.

J. LETTER OF NOVEMBER 14, 1977 FROM MINISTER OF
NATURAL RESOURCES TO TEXACO MANAGER.

THIS EXPLAINS THE GOE INTERPRETATION OF
TEXACO'S RIGHTS PRIOR TO THE FULL DEPRECIATION OF THE
PETROLEUM TERMINALS OF THE TRANSANDEAN PIPELINE.

K. MEMORANDUM OF OCTOBER 3, 1977 FROM THE CHIEF
DELEGATE OF THE JOINT COMMANDOF THE ARMED FORCES TO
THE SUBSECRETARY OF THE MINISTRY OF NATURAL RESOURCES.

THIS ASSURES TEXACO THAT IT ENJOYS FULL RIGHTS
PRIOR TO DEPRECIATION OF THE PETROLEUM TERMINALS.

L. MINISTER OF NATURAL RESOURCES RESOLUTION

14052 OF DEC 16, 1977.

THIS ESTABLISHES, INTER ALIA, THE DEFINITIONS, RULES AND
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PROCEDURES FOR EMBARKATIONS OF CRUDE OIL; TARIFFS ON
CRUDE OIL TRANSPORT THROUGH THE TRANSANDEAN PIPELINE;
THE ACTUAL RESERVES OF CEPE AND TEXACO AT THE
BALAO TERMINAL ON DECEMBER 31, 1976; AND THE DOMESTIC
CONSUMPTION OF CRUDE OIL FOR THE PERIOD JANUARY 1 TO
NOVEMBER 30, 1977 (EQUAL TO 63,000 BPD). THE RESOLU-
TION ALSO DETERMINES THE MECHANICS FOR THE DELIVERY
OF THE QUANTITIES OF CRUDE OWED BY TEXACO TO CEPE,
AS OUTLINED IN THE JOINT CEPE-TEXACO LETTER OF DEC
16, 1977 TO THE MINISTER OF NATURAL RESOURCES, AS WELL
AS ANOTHER 1,209,430 BARRELS OF CRUDE OWED BY TEXACO
TO CEPE DUE THE ABSENCE OF A LIFTING AGREEMENT FOR
JANUARY 1 TO NOVEMBER 30, 1977.

M. CEPE-TEXACO INVESTMENT AGREEMENT (UNDATED:
EITHER DEC 15 OR 16, 1977.

THIS SETS FORTHE THE WORK PROGRAM FOR NEW
EXPLORATION OF PETROLEUM: THE AREA-BY-AREA SUB-QUOTAS
FOR ATTAINMENT OF THE TOTAL PRODUCTION STIPULATED
IN MINISTER OF NATURAL RESOURCES RESOLUTION 14053
(SEE A, ABOVE); PROCEDURES FOR MAINTENANCE OF WELLS
AND CONSERVATION; AND TEXACO'S OBLIGATIONS FOR SUPPLY-
ING NET DOMESTIC CONSUMPTION NEEDS, EXCLUDING
DERIVATIVES PROCESSED BY THE STATE REFINERY AT
ESMERALDAS AND SUBSEQUENTLY EXPORTED.)

3. EMBASSY IS TRANSMITTING ALL THE ABOVE DOCUMENTS
UNDER A SEPARATE AIRGRAM.

4. COMMENT: TEXACO HAD HOPED TO BE ABLE TO INCREASE
PRODUCTION FROM NEW SOURCES UP TO THE FULL CAPACITY
(250,000 BPD) OF THE TRANSANDEAN PIPELINE WITHIN
ONE YEAR. APPARENTLY THE RESTRICTIONS INSTITUTED BY
THE GOE WILL DELAY INCREASING PRODUCTION TO 250,000
BPD UNTIL WELL BEYOND THAT TIME FRAME.
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Message Attributes

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Capture Date: 01-Jan-1994 12:00:00 am
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TAGS: EINV, ENRG, EC, TEXACO
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